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SUBJECT: COLOMBIA'S TRANSPORT INFRASTRUCTURE: IS IT UP TO  
THE GLOBALIZATION TASK?

REF: A. (A) 07 BOGOTA 7265

[1](#)B. (B) 07 BOGOTA 8592

[1](#)1. (U) SUMMARY: Colombia's demography and topography make transportation infrastructure development particularly challenging. Security problems and constitutional earmarks for social services and local governments hobbled public investment in transportation in the 1990s. Today the GOC is embarking upon construction of an integrated national transportation network combining public and private investment. GOC plans include over USD 6.5 billion in road projects, a rail system between Bogota and the Atlantic coast, and USD 1 billion for improvements to Colombia's ports. Colombia's ability to pull off a dramatic improvement in its infrastructure -- widely regarded as the Achilles' heel in the trade sector -- will be a key factor in deciding whether Colombia will prosper or falter in the global marketplace. END SUMMARY

Landlocked...

[1](#)2. (SBU) Transportation expert Ignacio de Guzman describes the country as "effectively landlocked," despite being the only South American country with Pacific and Atlantic ports. Guzman notes that one-half of the country's population and production comes from a tenth of Colombian territory -- the "productive triangle" comprised of high Andean peaks and tropical valleys bordered by Bogota, Cali and Medellin. Guzman cited a recent World Bank study that found exporting goods from Colombia was slower and more costly than from anywhere else in the region (except Venezuela). Mauricio Cardenas, head of the economic think-tank Fedesarrollo and a former Minister of Economic Development and of Transportation (MinTrans), called Colombia's roads an economic bottleneck. Cardenas said Colombia needs a national road system to successfully take advantage of globalization, including implementation of the U.S.-Colombia Trade Promotion Agreement (CTPA).

And Constitutionally Blocked

[1](#)3. (SBU) GOC spending on roads remained low during the 1990s. Cardenas said the 1991 Constitution undercut long-term transportation development by mandating that high percentages of federal government revenues be delivered to local departments for health and education, instead of transportation. Regardless, security issues made it near impossible to build and protect critical infrastructure in many rural areas that are key conduits to ports and major cities. Ana Maria Pinto, Director of Transportation

Infrastructure for the National Planning Department (DNP), said that between 1995 and 2002 public investment in transportation remained flat. As security started improving in 2002, road travel increased by 10-20 percent per year, and GOC investment in transportation was forced to catch up. Pinto added that even stepped-up investment favored local road projects -- accounting for some 75 percent of the GOC's transportation investment between 2002-2006 -- and contributing little to an integrated national transport system.

In Hock...

14. (SBU) Private investment in roads had a rocky start in the early 1990s. Juan Martin Caicedo, head of the Colombian Infrastructure Association, described the private concessions of the 1990s as failures. He noted that concessionaires built only about 2,000 miles of roads, usually of low quality and with high tolls. Caicedo said the GOC was essentially "in hock" to investors who used security issues to leverage a guaranteed income for their projects from the GOC. In the late 1990s private transportation investment began slowly rising and projects improved due to a stronger investment environment, the GOC's increased experience in concessions, and improved regulations.

But Now Ready to Rock

15. (SBU) Pinto said with increased emphasis on economic development in President Uribe's second term, GOC agencies coalesced around the idea of improving Colombia's transport system. She noted that GOC efforts to improve transportation logistics already contributed to the World Bank identifying it as the region's top economic reformer in 2007 (ref A).

The GOC's National Development Plan (NDP) projects an investment of USD 11.5 billion through 2010, including over USD 1 billion for road maintenance, to develop an integrated transport system (with another USD 15 billion through 2019). Pinto said USD 5.1 billion of the USD 11.5 billion investment will come from private sector concessions. She and Caicedo agreed Colombia has a "window of opportunity" to develop strong concession projects now because increasing domestic and international trade will increase demand for better transportation, and economic and security improvements allow the GOC to negotiate far more favorable deals than in the past.

"Grand Corridors": Roads and Rolling Stocks

16. (SBU) The NDP makes roads, especially "Grand Corridors" between Bogota and Atlantic and Pacific ports, the top priority. For example, Pinto said the World Bank, DNP and the MinTrans are collaborating on the "Ruta del Sol," a USD 2.5 billion, 580-mile concession four-lane highway linking Bogota to the Atlantic coast, to be bid out in 2008 with a construction period of 5-8 years. The World Bank hopes the project will serve as a "best practices" model for other concessions, sorely needed in a country known for inefficient, and oft corrupt, concession practices (as illustrated by the recent cancellation of the USD 270 million bid on the "La Linea" tunnel project). Construction has started on a USD 1.5 billion (two-thirds private investment) highway to double road capacity between Bogota and the Pacific port of Buenaventura. Buenaventura handles 40 percent of Colombia's non-coal foreign trade, but Pinto said the road to Bogota suffers from landslides, flooding, and frequent traffic jams of 6-12 hours. Other concession road projects include:

- the "Golfo de Uraba" project, a USD 625 million, 270 mile long road between Medellin and the Pacific coast port town of Turbo offering the potential for a new export route for Colombia's second city;
- the "Ruta de la Montana" project, a USD 610 million, 265

mile long road connecting Medellin with Manizales and Puerto Olaya; and  
-- the "Arterias del Llano" project, a 630 mile long road linking Villavicencio with Arauca, Puerto Gaitan, and San Jose de Guaviare.

17. (SBU) Colombia is not a country of trains. Guzman said high construction costs, up to twice that in the U.S. due to mountainous terrain and tropical conditions, slowed the historic growth of railroads. In the second half of the 19th century, the boom era for railways in the rest of the world, Colombia laid down little more than 10 miles of tracks per year. Between 1900 and 1930 rail construction picked up slightly, mainly under the impetus of increased coffee exports. But in the 1930s the GOC shifted its transportation priorities from rail to road. Still, privately run freight trains have played a significant role in moving coal from mines in Colombia's interior to the Atlantic coast for export. The most significant GOC rail project is the "Magdalena Medio" rail system which parallels the Magdalena river between Bogota and the Pacific coast. Approximately USD 225 million will be invested in private concessions for new construction (in part to build new tracks parallel to those used exclusively by coal companies) and rehabilitation over 3-5 years.

#### "Points of Access": Airports and Docks

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18. (SBU) Domestic and international air passengers increased between 2003-2007 by 5 percent and 15 percent per year respectively. One quarter of all international visitors came from the U.S., and a new aviation agreement should increase flights between the two countries by at least 50 percent (ref B). Janeth Benitez, spokesperson for Colombia's flag airline Avianca, said her company plans to invest over USD 4 billion in expanding its fleet over the next two years with the expectation that Bogota's El Dorado airport will become a regional hub for Latin America. The GOC has, or is in the process of, privatizing all of Colombia's major airports. Concessionaires are spending hundreds of millions of dollars on airport improvements. Bogota's El Dorado international airport began a USD 650 million upgrade under a new concessionaire in September 2007, and private investors plan to spend USD 135 million to upgrade Medellin's international and domestic airports (together with four other smaller nearby airports), and a yet-to-be determined sum to expand and improve four major airports in Northeast Colombia.

19. (SBU) Colombia's four major ports, Buenaventura, Cartagena, Barranquilla, and Santa Marta, have operated under private 20-year concessions since 1993. The port of Cartagena, currently in the process of a USD 300 million expansion, owes much of its success to having negotiated an additional 20-year concession in the late 1990s that allowed it to make long-term investments. Cartagena also hosts 75 percent of Colombia's increasingly lucrative cruise business; in 2008 each of the expected 125 ships will generate about USD 200,000 for the economy. Guzman said the other three ports are getting new 20-year concessions, which has sparked new investments. Barranquilla plans to spend USD 178 million to improve facilities and dredge its access canal, and Santa Marta will invest USD 125 million to develop as a general container port as it eliminates coal exports in the next two years (coal exports from Santa Marta are expected to move to Barranquilla and to Cienaga to reduce pollution and protect Santa Marta's tourist industry). Buenaventura has had inefficiencies resulting from multiple companies independently operating different sections of the port. Still, Buenaventura plans to invest USD 450 million plan to improve container handling, strengthen infrastructure, and maximize space usage.

#### The Magdalena River: Building Levees and Locks

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¶10. (SBU) The Magdalena river, which runs from the center of the country to Barranquilla, served as the main link to the outside world for most Colombians until the twentieth century. Although its relative importance has declined, it still moves about two million tons of goods from Northern Colombia to the Atlantic at 70 percent the cost of road transport. Cormagdalena (a public company charged with development of the river) wants to see the river's navigability increased and extended. The MinTrans estimates that an investment of USD 1.2 billion in river improvements (dredging, canal construction, sedimentation control, levees, and locks) would cost USD 1.2 billion dollars, but could increase the river's capacity to ten million tons, extend navigability South to the heart of Colombia's productive triangle, and reduce transportation costs almost ten-fold.

¶11. (SBU) Still, developing the Magdalena will not be easy. Pinto said logistic and environmental problems could easily outweigh financial issues. Pinto thinks the Magdalena can ultimately evolve into a major transport route between Bogota and the Atlantic, but said such a development is at least a decade away. The USG, through the Army Corps of Engineers, will soon provide Cormagdalena with technical assistance in identifying issues related to development of the Magdalena. Once such issues have been identified, the USG could assist in the design phase of developing the river through environmental studies, construction plans and bid package preparation. Finally, the USG could provide assistance in the construction phase through OPIC loan guarantees and other financial instruments.

COMMENT: Key to Success in Globalized Marketplace  
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¶12. (SBU) Colombia, blessed with a superb resource base and geographical location, has been historically hampered as a trading nation by an inward-looking business class, leaden bureaucracy and inadequate infrastructure. Globalization realities have taken care of the first factor, and a series of reforms have set the nation on the path to a greatly improved (though still lacking) business regulatory environment. The Achilles' heel of infrastructure remains, and the Uribe government is focusing heavily on this weakness for the remaining 2 years of the administration. This process -- expensive and lengthy -- holds the key to Colombia's ability to emerge as more than another bit player in the global marketplace.  
Brownfield